

Oakridge Public Schools

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2006

Oakridge Public Schools

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Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The discussion and analysis of Oakridge Public School's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to provide, in layman's terms, a look at the district's performance and past and current position. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

Financial Highlights

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The financial statements also include notes that explain some of the information in the statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1, on the following page, shows how the various parts of this annual report are arranged and related to one another.

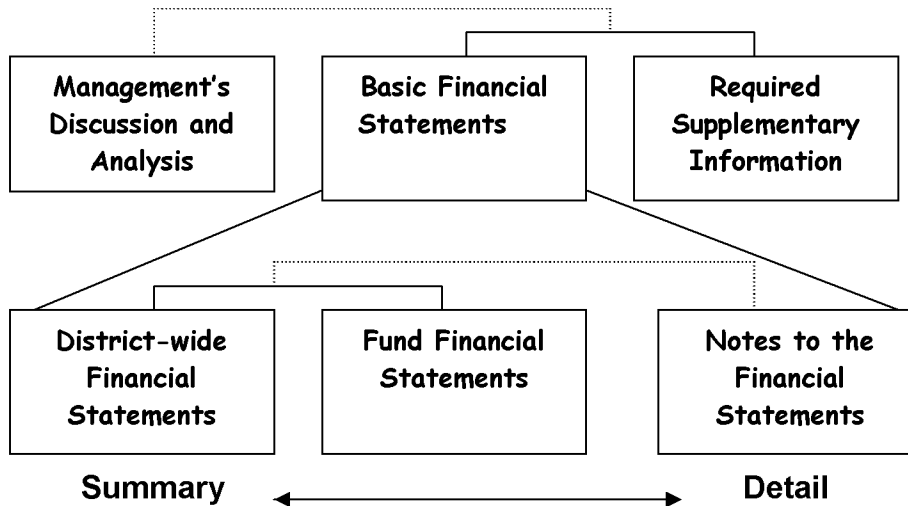
The basic financial statements include two kinds of statements that present different views of the district. The two kinds of statements are: 1) District-wide financial statements; and 2) Fund financial statements.

District-wide Financial Statements

These statements are full accrual basis statements and provide information about the district's overall financial status. They are used to help determine whether or not the district is better off or worse off as the result of the year's activities. The *Statement of Net Assets* reports all of the district's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the district are reported in this statement. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Figure A-1
Oakridge Public Schools
Organization of Annual Financial Report



The two district-wide statements report the district's net assets and how they have changed. Net assets – the difference between the district's assets and liabilities – is one way to measure the district's financial health or position.

- Over time, increases or decreases in the district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, one needs to consider additional non-financial factors such as changes in the district's property tax base, the quality of the education provided, and the condition of the district's buildings.

In the district-wide statements, the district's activities are classified as governmental activities. This includes most of the district's basic services, such as regular and special education, food service, athletics, transportation, and administration. Property taxes and state aid finance most of these services.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the district's major instructional and instructional support activities are reported in the *General Fund*. Additional activities are reported in their relevant funds including: Special Revenue Funds for Food Service and Athletics, Debt Service Funds, Capital Project Funds, and Fiduciary Funds.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Financial Analysis of the District as a Whole
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The net assets of the district as of June 30, 2006, amounted to \$3.4 million which represents only a 14% decline from the previous year. Figure A-2 on the following page shows a condensed breakdown of the net assets.

The largest portion of the district's net assets (66%) reflects resources that are unrestricted as to how they may be used. The remaining net assets represent investments in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The district uses these capital assets to provide services to students; consequently, these assets are not available for spending. Although the district's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The debt used as a decrease to capital assets relates to the Educational Interconnection and Consortium Financing Agreement, which is paid by the General Fund, and local bonds, which are paid from local property taxes.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Figure A-2
Condensed Statement of Net Assets

	Governmental Activities		Total Percentage Change 2005-06
	<u>2006</u>	<u>2005</u>	
Current assets	\$ 6,247,858	\$ 7,684,895	-18.70%
Noncurrent assets	<u>18,025,590</u>	<u>18,412,808</u>	-2.10%
Total assets	24,273,448	26,097,703	-6.99%
Current liabilities	4,181,431	5,434,066	-23.05%
Noncurrent liabilities	<u>16,656,857</u>	<u>16,687,548</u>	-0.18%
Total liabilities	20,838,288	22,121,614	-5.80%
Net assets			
Invested in capital assets, net of related debt	749,560	1,172,032	-36.05%
Restricted	431,810	303,789	42.14%
Unrestricted	<u>2,253,790</u>	<u>2,500,268</u>	-9.86%
Total net assets	<u>\$3,435,160</u>	<u>\$3,976,089</u>	-13.60%

The net assets of the district decreased by \$540,929 during the 2005-06 year. Figure A-3 shows the breakdown of this change. The Statement of Activities presented later in the government-wide financial statements, provides greater detail on the district's annual activity. The cost of the district's governmental activities for the year was \$18.6 million. However, the amount that the district's taxpayers ultimately financed for these activities was only \$15.1 million because \$3.5 million was paid for by participants and other governments and organizations who subsidized certain programs with grants and contributions. The remaining "public benefit" portion was paid for with property taxes, state pupil foundation aid, investment earnings, and other miscellaneous revenues.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Figure A-3
Statement of Net Assets from Operating Results

	Governmental Activities		Total
	<u>2006</u>	<u>2005</u>	<u>Percentage</u>
			<u>Change</u>
			<u>2005-06</u>
Revenues			
Program Revenues			
Charges for services	\$ 749,885	\$ 797,539	-5.98%
Operating grants and contributions	2,674,510	2,850,675	-6.18%
General Revenues			
Property taxes	2,258,368	2,090,734	8.02%
Unrestricted grants and contributions	12,235,700	12,114,128	1.00%
Other	<u>101,330</u>	<u>82,442</u>	22.91%
Total Revenues	18,019,793	17,935,518	0.47%
Expenses			
Instruction	10,413,609	9,760,803	6.69%
Support services	5,876,400	5,746,116	2.27%
Community services	248,071	373,411	-33.57%
Food services	829,070	778,010	6.56%
Athletics	322,566	308,247	4.65%
Interest on long-term debt	781,570	841,859	-7.16%
Interdistrict transfers	-	143,552	-100.00%
Unallocated depreciation and amortization	<u>89,436</u>	<u>43,389</u>	106.13%
Total Expenses	18,560,722	17,995,387	3.14%
Change in net assets	(540,929)	(59,869)	
Beginning net assets	<u>3,976,089</u>	<u>4,035,958</u>	
Ending net assets	<u>\$ 3,435,160</u>	<u>\$ 3,976,089</u>	

A substantial portion (74%) of the district's governmental fund revenues is received from state sources. This means that the financial stability of the district rests primarily with the economic health of the State of Michigan. Figure A-4 depicts the breakdown of the sources of revenue and other financing sources for the district's governmental funds which totaled \$18,070,811, excluding refunding bonds proceeds and premium proceeds.

**Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006**

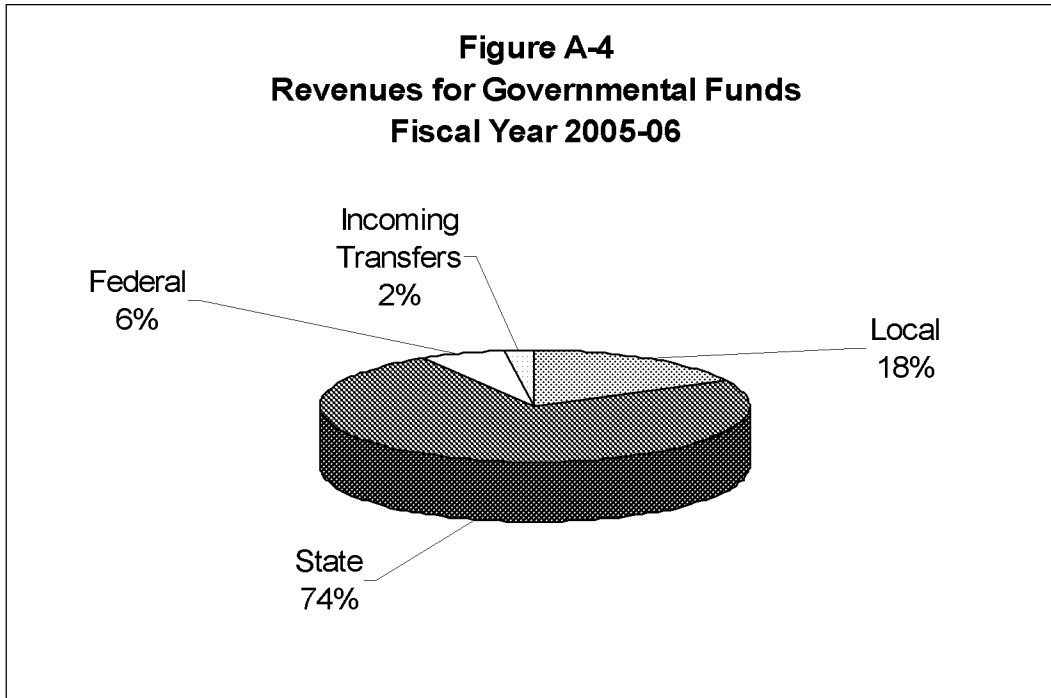
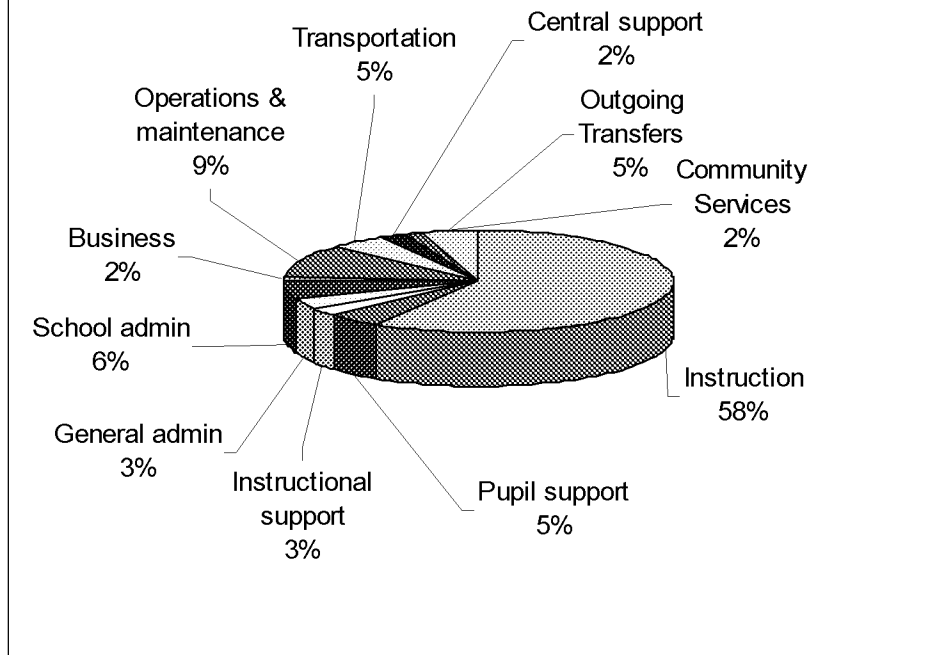


Figure A-5 on the following page reflects the breakdown by functional category of \$16,381,895 in expenditures and other financing uses for the district's general fund for 2005-06. Direct classroom instruction is the largest category (\$9,649,428). Support services includes library services, counselors, special education services, administration, clerical staff, maintenance/custodial staff, utilities, insurance, and transportation services (\$5,709,496). Community services include the Even Start grant and all early childhood tuition and day care program expenses. The remaining categories are self-explanatory.

**Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006**

**Figure A-5
Expenditures for General Fund
Fiscal Year 2005-06**



Financial Analysis of the District's Funds

The stable financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity decreased by \$93,723 during the 2005-06 fiscal year, resulting in a fund equity of \$2.7 million at year end. The primary factors affecting the district's governmental funds' fund balance are listed below.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Factors Impacting Fund Equity

- The district refunded its 1998 bonds in July 2005, which increased debt service fund equity.
- *Insurance premium increases* – The district's cost for health insurance premiums increased over the previous year by an average of 13%. The district paid the entire health insurance premium for all employee groups who received it as a benefit in 2005-06. Employee health insurance premiums are the fastest growing cost in the budget.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the district amends its budget periodically during the year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year and the differences in actual and budget figures.

Revenues – There was a 1.4% change in the total General Fund revenue and other financing sources budget from the beginning to the end of the year.

The \$39,855 variance between the final amended budget and the June 30, 2006 actual results was due to summer school tuition, investment earnings and special education transportation revenues that were greater than expected (\$59,000), state aide excess revenue (\$53,000) due to taxable value adjustments and 2004/05 At-Risk funds deferred in the prior year due to the 60-day revenue recognition policy, unspent Even Start funds (\$40,000) in the final year of the grant, Act 18 revenues greater than expected (\$42,000) and IDEA revenue budgeted as both federal revenue and other financing sources (\$72,000).

Expenditures – There was a .6% change in the total General Fund expenditures and other financing uses budget from the beginning to the end of the year.

The \$133,894 variance between the final amended budget and the June 30, 2006 actual result was due primarily to substitute salary and associates benefits were lower than anticipated.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Capital Assets and Debt Administration

Capital Assets – A summary of the District's capital assets, net of depreciation, at year end is outlined in figure A-6. Additional information on the district's capital assets can be found in note D of the Notes to the Financial Statements on pages 16-17 of this report. There were no significant fixed asset additions in the current year.

Figure A-6
Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	2006	2005
Land	\$ 25,000	\$ 25,000
Construction in Progress	67,295	67,295
Land improvements	514,366	550,946
Building and improvements	16,653,814	17,004,184
Furniture and equipment	183,821	281,111
Vehicles	156,407	162,875
Total	<u>\$ 17,600,703</u>	<u>\$ 18,091,411</u>

Debt Administration – A comparative summary of the District's indebtedness at year end is outlined in figure A-7 below.

The 1998 Durant bond issue is an obligation paid by the state. As part of the state's budget cuts in 2002-03, this debt was refinanced and no payments were made in 2002-03, 2003-04, or 2004-05. Payments resumed in 2005-06.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the school district. At June 30, 2006 the District's net bonded debt subject to the debt limit is \$152,566. This amount is well below the legal limit of approximately \$23.0 million.

Additional information on the Oakridge Public Schools' long-term debt can be found in note H of the Notes to the Financial Statements on pages 19 - 21 of this report.

Figure A-7
Summary of Indebtedness

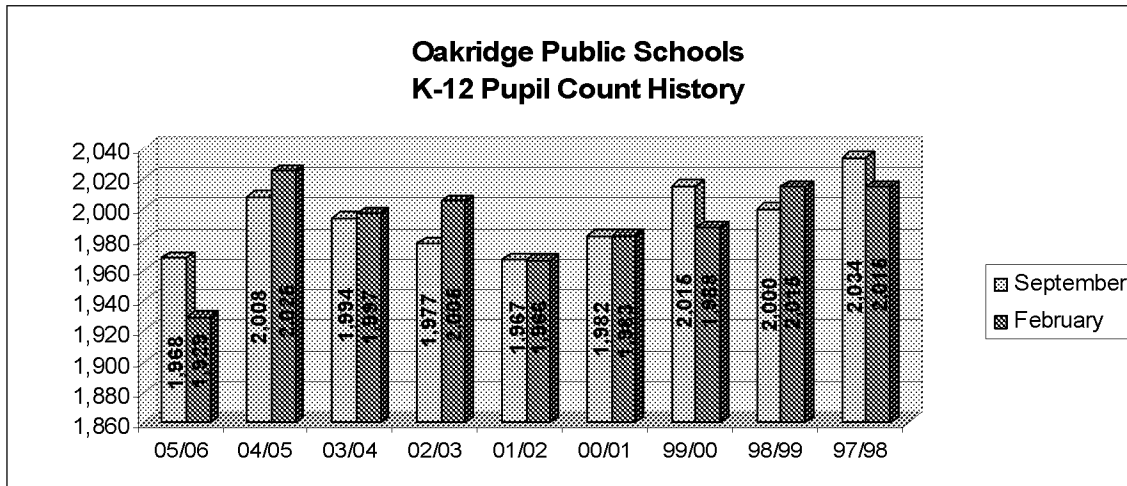
	Outstanding June 30,	
	2006	2005
1998 bond issue	\$ 925,000	\$ 15,375,000
2005 bond refunding	14,424,803	-
Durant bond issue	152,566	165,073
School bond loan fund	1,558,616	1,497,483
Education & Interconnection	41,034	46,896
Compensated absences	68,799	46,465
Total	\$ 17,170,818	\$ 17,130,917

Factors Bearing on the District's Future

There are several factors bearing on the district's general fund future. The most important one is the structural revenue deficit at the state level for the funding of schools. State aid revenues for 2005-06 were \$6,875 per student, a small increase over 2004-05. This increase did not cover the increased cost of health insurance and retirement the district experienced.

Schools are funded at the state level on the number of students they educate. Oakridge's pupil population has been on a rollercoaster for many years and is demonstrated on the graph below. Oakridge remains sensitive to the effects of a declining enrollment that is affecting many school districts across the area and the state. The fall and winter of the 2005-06 school year brought an alarming decline in student population.

**Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006**



While revenues are decreasing, or at best, remaining the same as the previous year, many costs are increasing. The fastest growing cost in the budget is employee health insurance, as is the case nationally in all industries. The last two years employee health insurance has increased about 13% - 18% per year; it is projected to increase between 12% - 18% per year for the next several years.

The next fastest growing cost in the budget is employee retirement. Due to health care costs for retirees and low interest rates, the state has imposed a higher retirement rate on all salaries and wages paid to all school employees. For 2006-07 this rate increased from 16.34% to 17.74%; for the next several years it is projected to increase approximately 2% per year.

All of these factors place a heavy burden on the district's general fund equity. While the district's general fund equity is at the level recommended by auditors and other professionals, it will be a challenge to keep it at this level with all the needs we may be otherwise unable to fund.

Requests for Information

This financial report is designed to provide the district's citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show how the District is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Mrs. Cheryl Masar, Director of Finance, Oakridge Public Schools, 275 South Wolf Lake Road, Muskegon, MI 49442, telephone number (231) 788.7109.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 12, 2006

Board of Education
Oakridge Public Schools
Muskegon, Michigan

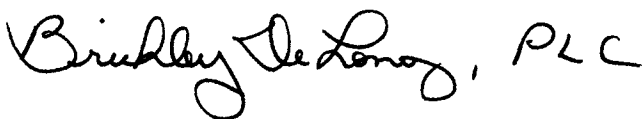
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakridge Public Schools (the School District), as of and for the year ended June 30, 2006, which collectively comprise the Schools District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oakridge Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oakridge Public Schools, as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated September 12, 2006, on our consideration of Oakridge Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i - xi and page 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Oakridge Public Schools
STATEMENT OF NET ASSETS
June 30, 2006

	ASSETS	Governmental activities
CURRENT ASSETS		
Cash and cash equivalents		\$ 3,044,120
Receivables		184,005
Due from other governmental units		2,934,172
Inventories		9,827
Prepaid items		<u>75,734</u>
Total current assets		6,247,858
NONCURRENT ASSETS		
Capital assets, net		
Nondepreciable		92,295
Depreciable		17,508,408
Bond issuance costs, net		250,876
Note and interest receivable		<u>174,011</u>
Total noncurrent assets		<u>18,025,590</u>
Total assets		24,273,448
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
State aid loan		1,723,000
Accounts payable and accrued liabilities		1,716,855
Due to other governmental units		221,021
Deferred revenue		6,594
Bonds and other obligations, due within one year		<u>513,961</u>
Total current liabilities		4,181,431
NONCURRENT LIABILITIES		
Bonds and other obligations, less amounts due within one year		<u>16,656,857</u>
Total liabilities		<u>20,838,288</u>
NET ASSETS		
Invested in capital assets, net of related debt		749,560
Restricted for debt service		431,810
Unrestricted		<u>2,253,790</u>
Total net assets		<u>\$ 3,435,160</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense)
		Charges for services	Operating grants and contributions	Revenue and Changes in Net Assets
Governmental activities				Governmental activities
Instruction	\$ 10,413,609	\$ 101,440	\$ 1,901,299	\$ (8,410,870)
Support services	5,876,400	185,160	315,506	(5,375,734)
Community services	248,071	123,728	-	(124,343)
Food services	829,070	288,859	452,142	(88,069)
Athletics	322,566	50,698	-	(271,868)
Interest on long-term debt	781,570	-	5,563	(776,007)
Unallocated depreciation and amortization	89,436	-	-	(89,436)
Total governmental activities	<u>\$ 18,560,722</u>	<u>\$ 749,885</u>	<u>\$ 2,674,510</u>	<u>(15,136,327)</u>
General revenues				
Property taxes levied for				
General purposes				1,089,420
Debt service				1,168,948
Grants and contributions not restricted to specific programs				12,235,700
Investment earnings				82,122
Miscellaneous				<u>19,208</u>
Total general revenues				<u>14,595,398</u>
Change in net assets				(540,929)
Net assets at July 1, 2005				<u>3,976,089</u>
Net assets at June 30, 2006				<u>\$ 3,435,160</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
BALANCE SHEET
 Governmental Funds
 June 30, 2006

	General Fund	Other governmental funds	Total governmental funds
ASSETS			
Cash and cash equivalents	\$ 2,573,626	\$ 470,494	\$ 3,044,120
Receivables	183,325	680	184,005
Due from other governmental units	2,917,709	16,463	2,934,172
Due from other funds	-	126,617	126,617
Inventories	-	9,827	9,827
Prepaid items	65,652	10,082	75,734
Total assets	<u>\$ 5,740,312</u>	<u>\$ 634,163</u>	<u>\$ 6,374,475</u>
LIABILITIES AND FUND BALANCES (DEFICIT)			
Liabilities			
State aid loan	\$ 1,723,000	\$ -	\$ 1,723,000
Accounts payable	58,327	187	58,514
Accrued liabilities	1,514,203	8,304	1,522,507
Due to other governmental units	221,021	-	221,021
Due to other funds	93,831	32,786	126,617
Deferred revenue	-	6,594	6,594
Total liabilities	<u>3,610,382</u>	<u>47,871</u>	<u>3,658,253</u>
Fund balances (deficit)			
Reserved			
Inventories	-	9,827	9,827
Prepaid items	65,652	10,082	75,734
Debt service	-	567,644	567,644
Capital projects	-	27,466	27,466
Unreserved			
Designated for payroll tax components of early retirement incentives	80,000	-	80,000
Undesignated			
General Fund	1,984,278	-	1,984,278
School service	-	(28,727)	(28,727)
Total fund balances	<u>2,129,930</u>	<u>586,292</u>	<u>2,716,222</u>
Total liabilities and fund balances	<u>\$ 5,740,312</u>	<u>\$ 634,163</u>	<u>\$ 6,374,475</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balance—governmental funds	\$	2,716,222
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not current financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 23,101,801	
Accumulated depreciation	<u>(5,501,098)</u>	17,600,703

Bond issuance costs are not capitalized and amortized in the governmental funds.

Bond issuance costs	344,157	
Accumulated amortization	<u>(93,281)</u>	250,876

Other long-term note and interest receivable in governmental activities is not reported in the
governmental funds.

174,011

Accrued interest in governmental activities is not reported in the governmental funds.

(135,834)

Long-term liabilities in governmental activities are not due and payable in the current period
and are not reported in the governmental funds.

Bonds and notes payable	(17,102,019)	
Compensated absences	<u>(68,799)</u>	<u>(17,170,818)</u>

Net assets of governmental activities in the Statement of Net Assets

\$ 3,435,160

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended June 30, 2006

	General Fund	Other governmental funds	Total governmental funds
REVENUES			
Local sources			
Property taxes	\$ 1,089,420	\$ 1,168,948	\$ 2,258,368
Investment earnings	63,606	18,516	82,122
Fees and charges	470,067	339,557	809,624
Other	28,402	-	28,402
Total local sources	<u>1,651,495</u>	<u>1,527,021</u>	<u>3,178,516</u>
State sources	13,249,878	97,732	13,347,610
Federal sources	762,712	398,393	1,161,105
Total revenues	<u>15,664,085</u>	<u>2,023,146</u>	<u>17,687,231</u>
EXPENDITURES			
Instruction	9,649,428	-	9,649,428
Support services	5,709,496	-	5,709,496
Community services	248,071	-	248,071
Food services	-	822,657	822,657
Athletics	-	292,742	292,742
Debt service			
Principal	-	437,507	437,507
Interest and other charges	-	731,639	731,639
Capital projects	-	29,300	29,300
Total expenditures	<u>15,606,995</u>	<u>2,313,845</u>	<u>17,920,840</u>
Excess (deficiency) of revenues over (under) expenditures	57,090	(290,699)	(233,609)
OTHER FINANCING SOURCES (USES)			
Transfers from other governmental units and other transactions	383,580	-	383,580
Proceeds of refunding bonds	-	14,425,000	14,425,000
Premium proceeds of refunding bonds	-	394,367	394,367
Transfers in	-	302,966	302,966
Transfers out	(302,966)	-	(302,966)
Payment to refunded bond escrow agent	-	(14,591,127)	(14,591,127)
Transfers to other governmental units and other transactions	(471,934)	-	(471,934)
Total other financing sources (uses)	<u>(391,320)</u>	<u>531,206</u>	<u>139,886</u>
Net change in fund balances	(334,230)	240,507	(93,723)
Fund balances at July 1, 2005	<u>2,464,160</u>	<u>345,785</u>	<u>2,809,945</u>
Fund balances at June 30, 2006	<u>\$ 2,129,930</u>	<u>\$ 586,292</u>	<u>\$ 2,716,222</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2006

Net change in fund balances—total governmental funds	\$	(93,723)
--	----	----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities these costs are depreciated and amortized over their estimated useful lives, respectively.

Depreciation and amortization expense	\$ (602,426)	
Capital outlay and bond issuance costs	<u>227,789</u>	(374,637)

Interest income on long-term note receivables is recorded in the Statement of Activities when earned, but is not reported in governmental funds until received.		(75)
---	--	------

Receipt of principal on note receivable is a revenue in the governmental funds, but the receipt reduces noncurrent assets in the Statement of Net Assets.		(12,507)
---	--	----------

Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.		(34,527)
--	--	----------

Debt proceeds are other financing source in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Assets.		(14,253,240)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		14,296,806
---	--	------------

Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.		(46,692)
--	--	----------

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		<u>(22,334)</u>
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Change in net assets of governmental activities	\$	<u><u>(540,929)</u></u>
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The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2006

	Agency funds
ASSETS	
Cash and cash equivalents	\$ <u>149,326</u>
LIABILITIES	
Deposits held for others	\$ <u>149,326</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oakridge Public Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

District-wide and Fund Financial Statements

District-wide Financial Statements – The primary focus of district-wide financial statements is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities. The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

In the district-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School District first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The district-wide Statement of Activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general revenues (property taxes, certain intergovernmental revenues and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School District does not allocate indirect costs.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

Fund financial statements – Fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds – Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

The other nonmajor governmental funds are reported within the following types:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its food service and athletic activities in the school service special revenue funds.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds – Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary funds are not included in the district-wide statements.

- The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities).

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30, 2006 is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

The School District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". The School District had no advances between funds.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the School District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0
Debt service fund - Homestead and non-homestead	7.0

Inventories

Food Service inventory is valued at the lower of cost (first-in, first-out) or market. The inventory is expendable supplies held for consumption and is recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School District does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Land improvements	20 years
Buildings and improvements	25-50 years
Buses and other vehicles	8 years
Furniture and other equipment	5-20 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Compensated Absences

The liability for compensated absences reported in the district-wide statement consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Deferred Revenue

Deferred revenue arises when assets are recorded before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets In District-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on **resources which are imposed by management, but can be removed or modified.**

Fund Equity In Fund Financial Statements

The School District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid items, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Director of Finance is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The School District does not consider these amendments to be significant.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2006, expenditures exceeded appropriations in the business support services function by \$33,762.

Fund Deficits

As of June 30, 2006, the Food Service Fund had a deficit of \$4,861 and the Athletic Fund had a deficit of \$3,957. The deficits will be eliminated through future operations, which may include reduction of operating expenses and interfund transfers.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2006, the School District had no investments.

Interest rate risk. In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in interest rates by using the following methods: segmented time distribution, specific identification, weighted average maturity, duration and simulation model.

Credit risk. State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk. In accordance with its investment policy, the School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in any one type of non-U.S. Treasury securities may be no more than 10 percent of the total current investment portfolio.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2006, \$3,445,184 of the School District's bank balance of \$3,545,184 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	67,295	-	-	67,295
Total capital assets, not being depreciated	92,295	-	-	92,295
Capital assets, being depreciated:				
Land improvements	841,919	-	-	841,919
Buildings and improvements	20,260,347	-	-	20,260,347
Equipment	751,184	5,165	-	756,349
Vehicles	1,126,257	54,300	29,666	1,150,891
Total capital assets, being depreciated	22,979,707	59,465	29,666	23,009,506

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Less accumulated depreciation:				
Land improvements	\$ 290,973	\$ 36,580	\$ -	\$ 327,553
Buildings and improvements	3,256,163	350,370	-	3,606,533
Equipment	470,073	102,455	-	572,528
Vehicles	963,382	60,768	29,666	994,484
Total accumulated depreciation	<u>4,980,591</u>	<u>550,173</u>	<u>29,666</u>	<u>5,501,098</u>
Total capital assets, being depreciated, net	<u>17,999,116</u>	<u>(490,708)</u>	<u>-</u>	<u>17,508,408</u>
Capital assets, net	<u>\$ 18,091,411</u>	<u>\$ (490,708)</u>	<u>\$ -</u>	<u>\$ 17,600,703</u>

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 382,500
Support service	94,253
Food service	6,413
Athletics	29,824
Unallocated depreciation	37,183
	<u>\$ 550,173</u>

NOTE E—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Bond issuance costs	\$ 175,833	\$ 168,324	\$ -	\$ 344,157
Less accumulated amortization	<u>41,028</u>	<u>52,253</u>	<u>-</u>	<u>93,281</u>
Bond issuance costs, net	<u>\$ 134,805</u>	<u>\$ 116,071</u>	<u>\$ -</u>	<u>\$ 250,876</u>

Amortization

Amortization expense has been charged as unallocated amortization.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2006 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ 126,617
General Fund	Other governmental funds	<u>32,786</u>
		<u>\$ 159,403</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The General Fund transferred \$63,812 to the Food Services Fund and \$239,154 to the Athletics Fund to finance operations.

NOTE G—SHORT-TERM DEBT

The School district issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2006 follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>
State aid anticipation note				
2004/2005 1.55% due August 2005	\$ 2,700,000	\$ -	\$ 2,700,000	\$ -
2005/2006 2.92% due August 2006	<u>-</u>	<u>1,723,000</u>	<u>-</u>	<u>1,723,000</u>
	<u>\$ 2,700,000</u>	<u>\$ 1,723,000</u>	<u>\$ 2,700,000</u>	<u>\$ 1,723,000</u>

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE H—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, Education Interconnection and Consortium Financing Agreement and the School Bond Loan Fund. The compensated absences and Education Interconnection and Consortium Agreement are paid from the General Fund, and the School Bond Loan Fund is paid from the Debt Service Fund.

Summary of Long-term Obligations

In July 2005, the School District issued \$14.425 million in General Obligation Bonds with interest rates from 3 to 5 percent to partially advance refund \$14.025 million of outstanding 1998 General Obligation Bonds with interest rates from 4.5 to 5.5 percent. The net proceeds of approximately \$14.591 million (after payment of \$168 thousand in underwriting fees, insurance and other issuance costs and \$60 thousand deposited into the 2005 Debt Retirement Fund) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for principle redemption and interest of 1998 General Obligation Bonds which are scheduled for maturity May 2009 and beyond. As a result, the 1998 General Obligation Bonds are considered to be partially defeased and the liability for those bonds has been removed from long-term obligations.

The School District advance refunded the 1998 General Obligation Bonds to reduce its total debt service payment over the next 22 years by over \$683 thousand and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of over \$531 thousand.

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within one year
Governmental activities:					
Bonds	\$ 15,540,073	\$ 14,253,240	\$ 14,290,944	\$ 15,502,369	\$ 508,099
Other obligations	<u>1,590,844</u>	<u>95,912</u>	<u>18,307</u>	<u>1,668,449</u>	<u>5,862</u>
	<u>\$ 17,130,917</u>	<u>\$ 14,349,152</u>	<u>\$ 14,309,251</u>	<u>\$ 17,170,818</u>	<u>\$ 513,961</u>

In the previous schedule, the addition for other obligations of \$95,912 includes \$61,133 of accrued interest on the School Bond Loan Fund and \$34,779 additions to compensated absences.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE H—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

General obligation bonds consist of the following:

1998 Building General Obligation Bond payable in annual installments ranging from \$450,000 to \$475,000 due May 2007 to 2008; plus interest of 5.5% payable semi- annually	\$ 925,000
2005 Refunding General Obligation Bond payable in annual installments ranging from \$45,000 to \$810,000 due May 2007 to 2028; plus interest ranging from 3% to 5% payable semi-annually	14,425,000
Plus issuance premium	377,221
Less deferred amount on refunding	(377,418)
Durant obligations payable in annual installments ranging from \$13,099 to \$61,045 including interest at 4.76% due May 2007 to 2013. The School District is only obligated to make the annual payments to the extent of annual State of Michigan state school aid appropriations.	<u>152,566</u>
Total bonded debt	15,502,369

Other obligations

School Bond Loan Fund payable as soon as annual tax collections exceed annual debt service payment requirements; interest payable of \$235,862 is included at interest rates between 2.625% and 4.5%	1,558,616
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Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE H—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

Other obligations—Continued

Education Interconnection and Consortium	
Financing Agreement payable in annual	
installments of \$5,862 due March 2007 to	
2013	\$ 41,034
Compensated absences	<u>68,799</u>
Total other obligations	<u>1,668,449</u>
	<u>\$ 17,170,818</u>

The Durant bonds, including interest, were issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. The note receivable on the Statement of Net Assets is for the future appropriations from the State of Michigan to pay the Durant obligations.

The annual requirement of principal and interest to amortize bonded debt and Education Interconnection and Consortium Financing Agreement outstanding as of June 30, 2006 follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 513,961	\$ 691,382	\$ 1,205,343
2008	544,588	664,659	1,209,247
2009	611,907	657,195	1,269,102
2010	590,926	616,620	1,207,546
2011	611,643	595,953	1,207,596
2012-2016	3,290,575	2,629,411	5,919,986
2017-2021	3,770,000	1,859,125	5,629,125
2022-2026	4,035,000	899,960	4,934,960
2027-2028	<u>1,575,000</u>	<u>103,840</u>	<u>1,678,840</u>
	<u>\$ 15,543,600</u>	<u>\$ 8,718,145</u>	<u>\$ 24,261,745</u>

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE I—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description – The School District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909
1-800-381-5111

Funding policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2006, was 16.34 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPERS Board of Trustees. The School District contributions to MPERS for the year ended June 30, 2006, 2005 and 2004 were approximately \$1,440,000, \$1,264,000, and \$1,135,000, respectively, and were equal to the required contribution for those years.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other post-employment benefits – Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE J—CONTINGENCIES

- **Litigation** – The School District is a defendant in various lawsuits. although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.
- **Federal Programs** – The School District participates in federally-assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE K—OTHER INFORMATION

Economic Dependence – Prior years revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid, and the change in property tax laws significantly decreased local property tax revenues. As a result, State school aid represents approximately 85.2 percent of General Fund revenues.

Risk Management – The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

NOTE L—SUBSEQUENT EVENT

On August 18, 2006, the School District received the proceeds of a \$2,800,000 State of Michigan (state) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity on August 17, 2007 and bears interest at the rate of 3.68 percent per annum. The School District pledged for payment of the note payable, the amount of state school aid to be received plus the full faith, credit, and resources of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Oakridge Public Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

General Fund
For the year ended June 30, 2006

	Budgeted amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 1,388,167	\$ 1,592,404	\$ 1,651,495	\$ 59,091
State sources	13,222,208	13,197,310	13,249,878	52,568
Federal sources	782,866	802,670	762,712	(39,958)
Incoming transfers and other transactions	<u>395,482</u>	<u>415,426</u>	<u>383,580</u>	<u>(31,846)</u>
Total revenues	15,788,723	16,007,810	16,047,665	39,855
EXPENDITURES				
Instruction				
Basic programs	7,873,517	7,878,445	7,759,891	118,554
Added needs	1,831,893	1,755,945	1,762,333	(6,388)
Adult and continuing education	139,016	130,771	127,204	3,567
Support services				
Pupil	732,896	733,697	738,568	(4,871)
Instructional staff	439,835	464,701	443,269	21,432
General administration	524,358	540,975	515,001	25,974
School administration	948,954	949,301	962,530	(13,229)
Business	272,556	234,680	268,442	(33,762)
Operations and maintenance	1,548,031	1,659,927	1,646,406	13,521
Pupil transportation services	740,014	798,754	807,349	(8,595)
Central	346,462	335,741	327,931	7,810
Community services	235,075	234,344	248,071	(13,727)
Outgoing transfers and other transactions	<u>792,498</u>	<u>798,508</u>	<u>774,900</u>	<u>23,608</u>
Total expenditures	<u>16,425,105</u>	<u>16,515,789</u>	<u>16,381,895</u>	<u>133,894</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(636,382)</u>	\$ <u>(507,979)</u>	(334,230)	\$ <u>173,749</u>
Fund balances at July 1, 2005			<u>2,464,160</u>	
Fund balances at June 30, 2006			<u>\$ 2,129,930</u>	

Oakridge Public Schools
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2006

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INTERNAL CONTROL AND COMPLIANCE REPORTS

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 12, 2006

Board of Education
Oakridge Public Schools
Muskegon, MI 49442

We have audited the financial statements of Oakridge Public Schools as of and for the year ended June 30, 2006 and have issued our report thereon dated September 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

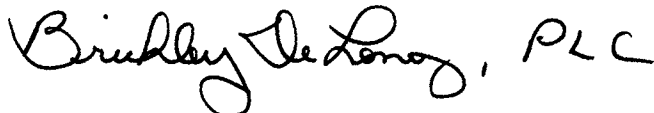
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oakridge Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Oakridge Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 12, 2006

Board of Education
Oakridge Public Schools
Muskegon, MI 49442

Compliance

We have audited the compliance of Oakridge Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Oakridge Public Schools' major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oakridge Public Schools' management. Our responsibility is to express an opinion on Oakridge Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oakridge Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oakridge Public Schools' compliance with those requirements.

As described in Finding 1 in Part C of the accompanying Schedule of Findings and Questioned Costs, Oakridge Public Schools did not comply with requirements regarding verification of free and reduced price applications that are applicable to its U.S. Department of Agriculture Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for Oakridge Public Schools to comply with requirements applicable to that program.

Board of Education
September 12, 2006
Page 2

In our opinion, except for noncompliance described in the preceding paragraph, Oakridge Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

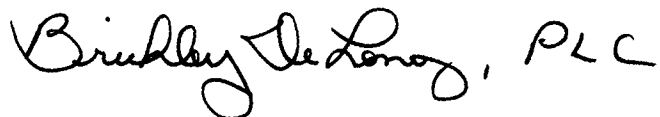
The management of Oakridge Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oakridge Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Oakridge Public Schools as of and for the year ended June 30, 2006 and have issued our report thereon dated September 12, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Brickley DeLong, PLC in black ink.

Oakridge Public Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Federal CFDA number	Program or award amount	Accrued (deferred) revenue July 1, 2005	Cash/ payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30,2006	Adjustment	Notes
					Prior year (s)	Current year	Total			
U.S. Department of Education										
Direct program										
After School Learning Centers S287B011265-03	84.287B	\$ 885,008	\$ -	\$ -	\$ 885,008	\$ -	\$ 885,008	\$ -	\$ (7,621)	5
Passed through Michigan Department of Education										
Title I	84.010									
041530 0405		56,498	21,226	21,226	56,498	-	56,498	-	-	
051530 0405		334,439	88,350	88,349	334,440	-	334,440	-	(1)	6
051530 0506		2,283	-	2,283	-	2,283	2,283	-	-	
061530 0506		360,536	-	269,187	-	360,172	360,172	90,985	-	
		753,756	109,576	381,045	390,938	362,455	753,393	90,985	(1)	
Even Start	84.213									
050390 C0531CES		225,000	43,941	43,941	225,000	-	225,000	-	-	
060390 D0625CES		225,000	-	145,957	-	176,362	176,362	30,405	-	
		450,000	43,941	189,898	225,000	176,362	401,362	30,405	-	
Title V	84.298									
040250 0405		8,641	2,875	2,875	8,641	-	8,641	-	-	
050250 0405		6,637	4,200	4,200	6,637	-	6,637	-	-	
050250 0506		2,832	-	2,682	-	2,832	2,832	150	-	
060250 0506		6,658	-	10	-	5,960	5,960	5,950	-	
		24,768	7,075	9,767	15,278	8,792	24,070	6,100	-	
Technology Literacy Challenge Grants	84.318									
054290 0506		1,001	-	1,001	-	1,001	1,001	-	-	
064290 0506		6,726	-	6,726	-	6,726	6,726	-	-	
		7,727	-	7,727	-	7,727	7,727	-	-	
Improving Teacher Quality	84.367									
040520 0405		9,128	1,844	1,844	9,128	-	9,128	-	-	
050520 0405		95,849	26,270	26,270	95,849	-	95,849	-	-	
050520 0506		830	-	830	-	830	830	-	-	
060520 0506		97,522	-	68,506	-	97,522	97,522	29,016	-	
		203,329	28,114	97,450	104,977	98,352	203,329	29,016	-	
Total passed through Michigan Department of Education		1,439,580	188,706	685,887	736,193	653,688	1,389,881	156,506	(1)	
Passed through Muskegon Area Intermediate School District										
Drug Free Schools and Communities Act	84.186									
062860 0506		9,870	-	9,870	-	9,870	9,870	-	-	
PL 101-476 Flowthrough	84.027									
060450 0506		77,322	-	44,701	-	77,322	77,322	32,621	-	
Total passed through Muskegon Area Intermediate School District		87,192	-	54,571	-	87,192	87,192	32,621	-	
Total U.S. Department of Education		2,411,780	188,706	740,458	1,621,201	740,880	2,362,081	189,127	(7,622)	

Oakridge Public Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Federal CFDA number	Program or award amount	Accrued (deferred) revenue July 1, 2005	Cash/ payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2006	Adjustment	Notes
					Prior year (s)	Current year	Total			
<i>U.S. Department of Agriculture</i>										
Passed through Michigan Department of Education										
National School Lunch										
Entitlement Commodities	10.550	\$ 24,459	\$ -	\$ 24,459	\$ -	\$ 24,459	\$ 24,459	\$ -	\$ -	
Bonus Commodities		-	-	-	-	-	-	-	-	
		24,459	-	24,459	-	24,459	24,459	-	-	
051970 Breakfast	10.553	98,526	-	9,698	88,828	9,698	98,526	-	-	3
061970 Breakfast		91,283	-	91,283	-	91,283	91,283	-	-	3
		189,809	-	100,981	88,828	100,981	189,809	-	-	
051950 All Lunches	10.555	38,596	-	4,352	34,244	4,352	38,596	-	-	3
061950 All Lunches		39,035	-	39,035	-	39,035	39,035	-	-	3
051960 Free and Reduced		214,225	-	24,566	189,659	24,566	214,225	-	-	3
061960 Free and Reduced		205,000	-	205,000	-	205,000	205,000	-	-	3
		496,856	-	272,953	223,903	272,953	496,856	-	-	
Total passed through Michigan Department of Education and U.S. Department of Agriculture		711,124	-	398,393	312,731	398,393	711,124	-	-	
<i>U.S. Department of Health and Human Services</i>										
Passed through Muskegon Area Intermediate School District										
Medical Assistance Program Title XIX 393	93.778	15,182	-	15,182	-	15,182	15,182	-	-	
<i>U.S. Department of Homeland Security</i>										
Passed through Michigan State Police										
Homeland Security Grant 2003 SHSGP, Part II Equipment	97.004	6,670	-	6,651	-	6,651	6,651	-	-	
TOTAL FEDERAL ASSISTANCE		\$ 3,144,756	\$ 188,706	\$ 1,160,684	\$ 1,933,932	\$ 1,161,106	\$ 3,095,038	\$ 189,127	\$ (7,622)	

Oakridge Public Schools
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2006

1. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule.
2. Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
3. Child Nutrition Cluster
4. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report schedule of expenditures of federal awards.

Revenues from federal sources per June 30, 2006

Governmental Funds financial statements

General Fund	\$ 762,712	
Other governmental funds (includes Food Service Fund)	<u>398,393</u>	\$ 1,161,105

Rounding adjustment from note 6 that reduced revenue in
the financial statements

1

Expenditures per single audit report

Schedule of Expenditures of Federal Awards	\$ <u><u>1,161,106</u></u>
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5. Funds returned to the U.S. Department of Education for single audit compliance finding in the 2003/2004 fiscal year 21st Century grant.
6. Rounding adjustment. The DS-4044 Final Expenditure Report filed after the June 30, 2005 audit reported expenditures that were \$1 less than the June 30, 2005 SEFA reported.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2006

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Oakridge Public Schools.
2. *No* reportable conditions in internal control were disclosed by the audit of the financial statements.
3. There were *no* instances of noncompliance material to the financial statements of Oakridge Public Schools which were disclosed during the audit, as reported in Part B of this Schedule.
4. *No* reportable conditions in internal control were disclosed by the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Oakridge Public Schools expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Agriculture</i> Child Nutrition Cluster	10.553 and 10.555
<i>U.S. Department of Education</i> Title I	84.010

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Oakridge Public Schools was not determined to be a low-risk auditee.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND QUESTIONED COSTS—CONTINUED
Year ended June 30, 2006

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

COMPLIANCE

NONE

REPORTABLE CONDITIONS

NONE

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

COMPLIANCE

U.S. Department of Agriculture

Fiscal 2006 Finding No. 1: Child Nutrition Cluster

Pass-through entity: Michigan Department of Education

CFDA: 10.553 and 10.555

Award Numbers: 051970, 069170, 051950, 061950, 051960 and 061960

Award Year Ends: September 30, 2005 and September 30, 2006

Specific Requirement: Special Tests and Provisions, Verification of Free and Reduced Price Applications

Criteria: The School Food Authorities (SFA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals per Circular A-133 Compliance Supplement.

Condition: We noted 1) two families selected for verification moved out of the School District before verification could be completed and two new applications were not selected to replace them and 2) one application that did not have all income sources verified.

Questioned Costs: \$508

Context: Two of ten applications selected for verification were family applications of families which had moved out of the School District and replacement applications were not selected. The one application that did not have all income sources verified had no change as a result of the verification and each child remained at reduced price eligibility. School District personnel talked to the parent who said the family had no documentation of the SSI to submit for verification. The parent should have been required to contact the Social Security office to have them prepare a letter with all the applicable information.

Effect: The minimum verification requirements were not met since replacement applications were not selected and one family received benefits that should have been denied until they provided all the required documentation.

Recommendation: The School District should review its verification procedures and provide additional training for staff who perform verification.

School District Response: The School District agrees with the finding and recommendation. See the accompanying Corrective Action Plan.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND QUESTIONED COSTS—CONTINUED
Year ended June 30, 2006

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

REPORTABLE CONDITIONS

NONE

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 12, 2006

Michigan Department of Education
Lansing, Michigan

Oakridge Public Schools respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2005 dated October 10, 2005.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

There were *no* compliance findings reported in relation to the financial statement audit.

REPORTABLE CONDITIONS

There were *no* reportable conditions reported in relation to the financial statement audit.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

COMPLIANCE

Fiscal 2005 Finding No. 1: Participation of Private School Children

Title I

CFDA: 80.010

Award Number: 051530 0405

Award Year End: September 30, 2005

Condition: During our compliance tests for Special Tests and Provisions of Participation of Private School Children, we noted there was no consultation with private school officials to determine the kind of educational services to provide to eligible private school children.

Recommendation: The School District should conduct timely consultation with private school officials to determine the kind of educational services to provide to eligible private school children to make sure the planned services are provided and to determine the required amount was used for private school children.

Current Status: During the year ended June 30, 2006, the School District implemented the recommendation. *No* similar finding was reported in the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2006.

Michigan Department of Education
September 12, 2006
Page 2

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS—Continued

REPORTABLE CONDITIONS

There were *no* reportable conditions reported in relation to major federal award programs.

Sincerely,

A handwritten signature in black ink that reads "Cheryl Masar". The script is cursive and fluid, with the first name "Cheryl" and last name "Masar" clearly legible.

Cheryl Masar
Director of Finance

CORRECTIVE ACTION PLAN

September 12, 2006

Michigan Department of Education
Lansing, Michigan

Oakridge Public Schools respectfully submits the following Corrective Action Plan for the year ended June 30, 2006.

Name and address of independent public accounting firm:

Brickley DeLong, PLC
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2006

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2006 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

There were *no* compliance findings reported in relation to the financial statement audit.

REPORTABLE CONDITIONS

There were *no* reportable conditions reported in relation to the financial statement audit.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

COMPLIANCE

Fiscal 2006 Finding No. 1: Child Nutrition Cluster

Recommendation: The School District should review its verification procedures and provide additional training for staff who perform verification.

Action Taken: School District personnel involved with the verification process for free and reduced price eligibility have received additional instruction regarding proper verification procedures. Effective with the verification process for the year ending June 30, 2007, the verification process and results will be reviewed by the School District's Director of Finance.

Michigan Department of Education
September 12, 2006
Page 2

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

REPORTABLE CONDITIONS

There were *no* reportable conditions reported in relation to the major federal award programs.

If the Michigan Department of Education has questions regarding this plan, please call Cheryl Masar at (231) 788-7100.

Sincerely,

A handwritten signature in cursive script that reads "Cheryl Masar". The signature is written in black ink and is positioned above the printed name and title.

Cheryl Masar
Director of Finance

FORM
(5-2004) **SF-SAC**U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2004, 2005, or 2006**

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132**PART I****GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)**

1. Fiscal period ending date for this submission Month Day Year 06 / 30 / 2006 Fiscal Period End Dates Must Be In 2004, 2005, or 2006		2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit	
3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other — <input type="text"/> Months		4. FEDERAL GOVERNMENT USE ONLY Date received by Federal clearinghouse	

5. Auditee Identification Numbers

a. Primary Employer Identification Number (EIN)
 38 - 1714401

b. Are multiple EINs covered in this report? 1 ☐ Yes 2 ☒ No

c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4.

d. Data Universal Numbering System (DUNS) Number
 04 - 636 - 7074

e. Are multiple DUNS covered in this report? 1 ☐ Yes 2 ☒ No

f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4.

6. AUDITEE INFORMATION

a. Auditee name
OAKRIDGE PUBLIC SCHOOLS

b. Auditee address (Number and street)
275 S. WOLF LAKE ROAD

City
MUSKEGON

State ZIP + 4 Code
MI 49442-3033

c. Auditee contact
Name
CHERYL MASAR

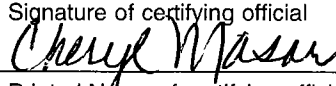
Title
DIRECTOR OF FINANCE

d. Auditee contact telephone
(231) 788 - 7100

e. Auditee contact FAX
(231) 788 - 7114

f. Auditee contact E-mail

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official

 Printed Name of certifying official
CHERYL MASAR
 Printed Title of certifying official
DIRECTOR OF FINANCE

Date
 Month Day Year
 09 / 12 / 06

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name
BRICKLEY DELONG, PLC

b. Auditor address (Number and street)
TERRACE PLAZA, SUITE 500, 316 MORRIS AVE

City
MUSKEGON

State ZIP + 4 Code
MI 49440-

c. Auditor contact
Name
TIMOTHY D. ARTER

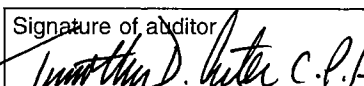
Title
PARTNER

d. Auditor contact telephone
(231) 726 - 5800

e. Auditor contact FAX
(231) 722 - 0260

f. Auditor contact E-mail
TARTER@BRICKLEYDELONG.COM

9. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

 Date
 Month Day Year
 09 / 12 / 06

for Brickley DeLong, PLC

FINANCIAL STATEMENTS (To be completed by auditor)**1. Type of audit report**

Mark either:

1 ☒ Unqualified opinion **OR**any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion**2. Is a "going concern" explanatory paragraph included in the audit report?**1 ☐ Yes 2 ☒ No**3. Is a reportable condition disclosed?**1 ☐ Yes 2 ☒ No – *SKIP to Item 5***4. Is any reportable condition reported as a material weakness?**1 ☐ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☒ Yes 2 ☐ No**FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

3. Did the auditee qualify as a low-risk auditee? (§ .530)1 ☐ Yes 2 ☒ No**4. Is a reportable condition disclosed for any major program? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No – *SKIP to Item 6***5. Is any reportable condition reported as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☐ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☒ Yes 2 ☐ No**7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development83 ☐ Federal Emergency Management Agency43 ☐ National Aeronautics and Space Administration96 ☐ Social Security Administration10 ☐ Agriculture39 ☐ General Services Administration89 ☐ National Archives and Records Administration19 ☐ U.S. Department of State23 ☐ Appalachian Regional Commission93 ☐ Health and Human Services05 ☐ National Endowment for the Arts20 ☐ Transportation11 ☐ Commerce97 ☐ Homeland Security06 ☐ National Endowment for the Humanities21 ☐ Treasury94 ☐ Corporation for National and Community Service14 ☐ Housing and Urban Development06 ☐ National Endowment for the Humanities82 ☐ United States Information Agency12 ☐ Defense03 ☐ Institute of Museum and Library Services47 ☐ National Science Foundation64 ☐ Veterans Affairs84 ☐ Education15 ☐ Interior07 ☐ Office of National Drug Control Policy00 ☒ None81 ☐ Energy16 ☐ Justice59 ☐ Small Business Administration☐ Other – Specify:66 ☐ Environmental Protection Agency09 ☐ Legal Services Corporation

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives ☒
- and, if not marked above, the Federal cognizant agency ☒

Count total number of boxes marked above and submit this number of reporting packages

2

FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS					
Federal Agency Prefix ¹	CFDA Number Extension ²	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)	If yes, type of audit report ³ (h)	Type(s) of compliance requirement(s) ⁴ (a)	Audit finding reference number(s) ⁵ (b)
8 4	.010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I	\$ 362,455.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	.213	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	EVEN START	\$ 176,362.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V	\$ 8,792.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TECHNOLOGY LITERACY CHALLENGE GRANTS	\$ 7,727.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IMPROVING TEACHER QUALITY	\$ 98,352.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.186	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	DRUG FREE SCHOOLS AND COMMUNITIES ACT	\$ 9,870.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IDEA FLOWTHROUGH	\$ 77,322.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1 0	.550	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	COMMODITIES	\$ 24,459.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1 0	.553	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	BREAKFAST	\$ 100,981.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	Q	N	1
1 0	.555	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	LUNCHES	\$ 272,953.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	Q	N	1
TOTAL FEDERAL AWARDS EXPENDED				\$ 1,161,106.00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS				

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

A. Activities allowed or unallowed

B. Allowable costs/cost principles

C. Cash management

D. Davis - Bacon Act

5 N/A for NONE

E. Eligibility

F. Equipment and real property management

G. Matching, level of effort, earmarking

H. Period of availability of Federal funds

I. Procurement and suspension and debarment

J. Program income

K. Real property acquisition and relocation assistance

L. Reporting

M. Subrecipient monitoring

N. Special tests and provisions

O. None

P. Other

FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS					
Federal Agency Prefix ¹	CEFA Number Extension ²	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)	If yes, type of audit report ³ (h)	Type(s) of compliance requirement(s) ⁴ (a)	Audit finding reference number(s) ⁵ (b)
9 3	.778	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	MEDICAID	\$ 15,182.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9 7	.004	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	HOMELAND SECURITY	\$ 6,651.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
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		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
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		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				

Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.										f. List the multiple DUNS covered in the report.									
1	N / A									1	N / A								
2	-									2	-								
3	-									3	-								
4	-									4	-								
5	-									5	-								
6	-									6	-								
7	-									7	-								
8	-									8	-								
9	-									9	-								
10	-									10	-								
11	-									11	-								
12	-									12	-								
13	-									13	-								
14	-									14	-								
15	-									15	-								
16	-									16	-								
17	-									17	-								
18	-									18	-								
19	-									19	-								
20	-									20	-								

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.